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## United Kingdom

### Retail Food Sector

### UK Supermarket Chain Profiles

**2006**

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**Report Highlights:**

This report is a Market Brief providing information about the key UK supermarket chains: Tesco, Asda/Wal-Mart, Sainsburys, Morrisons, Waitrose, Marks and Spencers, and Fresh & Wild (Whole Foods Market). This report gives an overview of the trading styles, and target customers of each retailer, as well as contact details for their head office.

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Includes PSD Changes: No  
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## Table of Contents


<b>Foreword .....</b>	<b>3</b>
<b>UK Supermarket Chain Profiles .....</b>	<b>3</b>
Tesco .....	3
Asda/Wal-Mart .....	5
Sainsburys .....	6
Morrisons .....	7
Waitrose .....	8
Marks and Spencer .....	9
Fresh & Wild (Whole Foods Market).....	9
<b>Post Contact and Further Information .....</b>	<b>10</b>

## Foreword

This report is intended to supplement the report entitled “UK Retail Market Brief”, available at: <http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>

## UK Supermarket Chain Profiles

### Tesco

	Tesco Stores Ltd Tesco House, Delamere Road Cheshunt, Hertfordshire EN8 9SL Tel: +44 1992 632 222 Consumer website: <a href="http://www.tesco.com">www.tesco.com</a> Corporate website: <a href="http://www.tescocorporate.com">www.tescocorporate.com</a>
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Spurred on by the entry of Wal-Mart to the UK market in 1999, Tesco has pursued aggressive pricing and acquisition policies. As well as being the number one supermarket in the UK, Tesco is number six globally with stores in other European countries such as: the Czech and Slovak republics, Hungary, Poland, and the Republic of Ireland. Tesco also trades in Turkey, Malaysia, Taiwan, Japan, South Korea, China, and Thailand. Earlier in 2006, Tesco also announced that it would be opening stores in the United States.

Tesco has been at the cutting edge of innovation in the UK grocery market for the last 20 years. They introduced the first loyalty card, which has become a highly efficient and targeted marketing system. Tesco were also the first UK supermarket to develop an on-line shopping service and are at present the most successful.

Tesco's progress in the UK in the last five years has been outstanding – their trading space has increased by 35 percent, and their sales have grown by 48 percent with profits up by 54 percent. Tesco group sales are around £22,661 million (\$42,800 million) and they employ about 250,000 people.

Tesco has four different store formats, each tailored to the customers needs in a particular locality:

	Number of Stores	Sales Area (Million sq ft)	% of UK space
Extra	100	6.6	27.2%
Superstore	446	13.9	57.4%
Metro	160	1.9	7.8%
Express	546	1.1	4.5%
Total Tesco	1,252*	23.5	96.9%

\*Tesco also have an additional 528 stores under the One Stop convenience store brand.

Express Stores are up to 200m<sup>2</sup> and offer customers great value, quality and fresh food close to where they live or work. The first express store was opened in 1994 and there are now over 500 stores, selling a range of up to 7,000 lines including fresh produce, wines and spirits and in-store bakery items.

Metro Stores are between 650-950m<sup>2</sup>. The first Metro store was opened in 1992 bringing the convenience of Tesco to town and city center locations. Tesco Metros cater for thousands of busy customers each week and offer a tailored range of food lines including ready meals and sandwiches.

Superstores are between 1,800 and 4,600m<sup>2</sup>. Tesco began opening Superstores in the 1970's, and during the 1980's and 1990's Tesco built a national network to which they are adding more stores every year. They respond rapidly to changing consumer needs. In recent years they have introduced a number of non-food ranges such as DVD's and books into Superstores.

Extra stores are usually above 5,500m<sup>2</sup> in size. Since the opening of the first Extra store in 1997, the "one stop" destination store format has proved extremely popular. Extra stores offer the widest range of food and non-food lines ranging from electrical items to homewares, clothing, health and beauty and seasonal items such as garden furniture. The 100<sup>th</sup> Extra store was opened in 2004 and around twenty new Extra's open each year, many were previously superstores.

Following positive consumer response to the non-food offering that Tesco has sold in many stores, Tesco have recently opened a few stores as non-food only on a trial basis.

Tesco's main consumers come from the middle income mass market. Tesco's range of food features a strong private label element. In addition to their general Tesco branded range, there are two other main ranges – Tesco Value that features basic goods at highly competitive prices and Tesco Finest, pitched at the quality end of the spectrum, with a strong emphasis on ingredients.

Tesco currently have 1,600 product lines across both the Tesco Value and Tesco Finest ranges. A typical Tesco Superstore will stock 40,000 product lines, of which 25,000 are food.

Tesco are committed to lowering prices and have set a competitive agenda. Tesco, Asda and more recently Sainsbury's are constantly competing on price. Tesco has received considerable criticism in the press for placing pressure on suppliers in order to achieve its agenda on price. There is currently an ongoing Competition Commission investigation that is looking at practices within the UK grocery supply structure.

Tesco's multi-format stores are the key to its continuing success. They allow customers to access the Tesco 'brand' at many different levels. Tesco is extremely ambitious and although it is not currently in Wal-Mart's league globally, it is gradually positioning itself to be so in the future.

**Asda/Wal-Mart**

	Asda Stores Ltd. Asda House, Southbank Great Wilson Street Leeds, West Yorks LS11 5AD Tel: +44 113 243 5435 Website: <a href="http://www.asda.co.uk">www.asda.co.uk</a>
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Wal-Mart bought Asda in July 1999, and unlike its foray into the German market, the UK business has done well. Asda has retained a very British feel in-store and a distinct identity separate from its parent company.

Asda/Wal-Mart's strap-line is 'Every day low price'. This motto, together with Wal-Mart's global buying power, has contributed to the success of the UK business. Asda/Wal-Mart is driven by store expansion, non-food growth and price competitiveness. Asda/Wal-Mart has focused on larger stores, however, larger stores are harder to come by in the UK and this is hampering its expansion possibilities.

Unlike Tesco & Sainsbury's, Asda/Wal-Mart do not have a convenience store format, instead it has focused on stand-alone non-food formats. George Clothing stores and Asda Living Homestores, were launched in 2003 and 2004.

Asda/Wal-Mart currently own 301 stores and they are predominately based in the North and South-East of England. The majority of Asda/Wal-Mart stores are in town centers or on the edge of town areas. Asda/Wal-Mart stores have a greater emphasis on presentation than Wal-Marts U.S. stores. Food is displayed attractively with separate areas for clothing and non-food ranges.

Asda/Wal-Mart generally has three different store formats:

Smaller stores up to 2,300m<sup>2</sup> - found in small town and suburban areas. This format has proven successful in recent years bringing Asda/Wal-Mart to locations, that were once inaccessible to them.

Superstores up to 3,900m<sup>2</sup> - this format is Asda/Wal-Mart's most normal store size, representing ninety percent of their UK stores. They offer a wide range of food and non-food products.

Supercentres are between 8,000 and 10,000m<sup>2</sup> in size. At present there are 19 stores in the UK and they bring together the best of Wal-Mart and full food ranges. Around half of the space is dedicated to non-food.

Asda/Wal-Mart is pitched at the lower-end of the mass market. It competes largely on price. In 2005, Asda/Wal-Mart and Tesco went head to head in a price war, both hoping to be crowned the cheapest supermarket. They price match so effectively that it is extremely difficult to call.

A typical Asda/Wal-Mart supermarket carries about 30,000 product lines, 60 percent of which are food items.

As well as branded products, Asda/Wal-Mart have a strong own label portfolio, with sub-brands such as:

- Smartprice – Price led products
- Asda – Everyday food and non-food items
- Good For You – Fat, salt, sugar and calorie controlled products
- Extra Special – Premium food

Unlike Tesco and Sainsbury's, Asda/Wal-Mart do not have a loyalty card system, this may affect their ability to market to their customers in the future.

Despite slower growth in the last year, Asda/Wal-Mart is a very strong business and a powerful player in the market. Looking ahead, its choice to steer clear of the convenience market while Tesco and others expand in that area may mean that Asda/Wal-Mart falls behind the competition in terms of expanding its presence. The market share figures between Sainsbury's and Asda/Wal-Mart have been so close over the past year that it has been difficult to pinpoint which supermarket chain is the UK's number two.

### Sainsburys

	Sainsbury Plc. 33 Holborn London, EC1N 2HT Tel: +44 207 695 6000 Consumer website: <a href="http://www.sainsburys.co.uk">www.sainsburys.co.uk</a> Corporate website: <a href="http://www.j-sainsbury.co.uk">www.j-sainsbury.co.uk</a>
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Until the mid 1990's Sainsbury's was the number one supermarket chain in the UK, but since that time it has gradually lost ground to its competitors - Tesco and Asda/Wal-Mart. In recent months it has shown some recovery and there is a debate as to whether Asda/Wal-Mart or Sainsbury's is now the number two UK retailer.

In late 2004 a new CEO and management team were hired to address the deterioration in Sainsbury's competitive position. The new focus was on a sales led recovery and the group invested in their supply chain to improve product availability, as well as implementing price cuts and hiring more store staff. Sainsbury's have also benefited from the use of high profile of UK celebrity chef Jamie Oliver, who appears in their advertising campaigns highlighting seasonal products.

In 2005 Sainsbury's had 727 stores with annual sales of \$28,337 million and an operating profit of \$609.9 million. For the first part of 2006, Sainsbury's have recorded a total sales growth of 6.9 percent. This is an impressive result in a demanding environment.

Sainsbury's have four main types of stores, however they are at present changing all their stores into two formats: traditional supermarket and convenience stores. The Sainsbury's Savacentre stores are being re-branded as supermarkets and the Sainsbury's Central stores are being converted to either supermarket or convenience stores, depending on size.

Sainsbury's have 252 Convenience stores, which range in size from 250-300m<sup>2</sup>. They have limited product ranges focusing on convenience products such as sandwiches and ready meals. The stores aim for very high sales turnover.

Like Tesco, Sainsbury's have invested in the convenience store sector purchasing smaller UK chains such as Bell Stores, Jackson Stores and J.B. Beaumont Stores.

Price has been one of the key areas of change and since 2004 Sainsbury's have lowered the price on 8,000 products. This has taken Sainsbury's closer to the pricing levels of Tesco and Asda.


As well as branded products, Sainsbury's have the following private label ranges:

- Taste the difference – Premium foods
- Blue Parrot Café – Children's healthy food
- Be Good to Yourself – Low fat foods
- Organics – Organic lines
- Basics – Price led food

Sainsbury's have always been a food specialist and because most of its stores are smaller than Tesco and Asda there are physical limits to any plans to expand their non-food.

For Sainsbury's there is still much to do to turn their business around, especially with the ever-present pressure from rivals Asda and Tesco.

## Morrisons

	<p>Morrisons Supermarkets 41 Industrial Estate Wakefield, West Yorkshire WF2 0XF Tel: +44 1924 870 000 Website: <a href="http://www.morrisons.co.uk">www.morrisons.co.uk</a></p>
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Morrison's became the 4<sup>th</sup> largest UK supermarket in March 2004, following their purchase of Safeway. The Safeway stores in the UK had been bought from Safeway U.S. by a local business conglomerate in the late 1970's. The Morrison's bid to purchase Safeway was a surprise to many in the industry as the two businesses had different operating formats.

Until 2004, Morrison's Supermarkets were predominately based in the North of England and the Midland's. However, with the purchase of Safeway it gave them the opportunity to expand further south. Morrison's did not want the Safeway brand, so they undertook a major conversion program to convert all Safeway stores to Morrison's. Morrison's now have a total of 433 stores.

Since the Safeway acquisition, Morrison's have seen sales decline while Safeway stores were regenerated. Morrison's have found it hard to entice customers back. However, in the last year converted stores have started to perform better with both consumer numbers and sales rising.

By the end of 2005, Morrison's had 360 stores operating as Morrison's with an average sales area of 2,650m<sup>2</sup>. This leaves a small number of stores still operating as Safeway, awaiting either disposal or redevelopment. Morrison's employ over 120,000 people in the UK.

A typical Morrison's store is aimed at the mid-lower end consumer and stocks in the region of 24,000 product lines. The company's strategy focuses on offering unbeatable customer service and a pleasant shopping environment, however, it competes primarily on price with low prices, special offers and multi-save promotions.

Approximately 55% of sales come from private label ranges. Morrison's private label portfolio consists of:

- Morrison's – Quality and Value
- The Best – Premium Foods
- Eat Smart – Healthy Foods
- Betterbuy – Price led products

Morrison's stands out from other grocery stores due to its "Market Street" feature – this is where a collection of fresh food counter stalls are designed to look like a market including butchers, bakers, fishmongers, delicatessens and salads. The majority of products sold in the Market Street are private label.

Morrison's have small non-food sections within its stores focusing on music and video, health and beauty products.

## Waitrose

	<p>Waitrose Doncastle Road Bracknell Berkshire, Tel: +44 1344 424 680 Website: <a href="http://www.waitrose.co.uk">www.waitrose.co.uk</a></p>
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Waitrose is the supermarket business of the John Lewis Partnership, a leading department store chain. It offers a broad range of products and high quality ingredients to an upper-middle class customer base. Waitrose stores are located in areas where consumers with a higher than average disposable income live.

Waitrose stores are usually medium-sized compared to their UK supermarket rivals. However, Waitrose have introduced a larger store format called Waitrose Food & Home, e.g. their 5000m<sup>2</sup> store in Canary Wharf, London.

Waitrose, like the major supermarket chains, have an Internet shopping service. However, they have chosen to use a key associate company – Ocado. Although many of Waitrose's customers are cash rich and time poor - the ideal target for a home delivery service - the service currently still makes a loss.

Waitrose have 168 stores and are predominately based in the south of the UK. Since Waitrose customers are less price-sensitive, Waitrose may present opportunities for American products that are of superior quality, but not always the cheapest.



## Marks and Spencer

	Marks & Spencer Waterside House 35 North Wharf Road London, W2 1NW Tel: +44 17831 829986 Website: <a href="http://www.marksandspencer.com">www.marksandspencer.com</a>
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Marks and Spencer is the UK's leading clothing retailer, and is defined as such in terms of UK data collection on the retail industry. Although, its food business is now about the same size in terms of sales, it is not considered together with the other supermarket chains in market analysis.

Marks and Spencer have premium quality food departments that are aimed at middle-upper class customers who are less price-conscious. They also attract customers shopping for special occasions such as dinner parties and birthdays.

Marks and Spencer is also a lunchtime destination for office workers picking up sandwiches and other snack items. In order to make the most of this market Marks and Spencer have also opened 129 stand alone Simply Food Stores that are convenience format stores under 297m<sup>2</sup> in size.

Marks and Spencer pioneered the concept of chilled ready prepared food and has led the way in its development. Today, Marks and Spencer continue to lead the market in terms of delivering food with a quality of provenance. Their food technical specifications are extremely strict, particularly with regard to the traceability of ingredients.

Apart from very a few exceptions, Marks and Spencer sell products entirely under their own label.

## Fresh & Wild (Whole Foods Market)

	Fresh & Wild (Whole Foods Market) 23 Ramillies Place London W1F 7LL Tel: +44 20 7025 6030 Website: <a href="http://www.wholefoods.com">www.wholefoods.com</a>
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There are currently six Fresh & Wild stores, owned by the U.S.-based Whole Foods Market. Whole Foods purchased these stores in early 2004. Fresh & Wild were a natural fit with the Whole Foods Market ethos, and today they continue to showcase organic, natural, wholesome, and ethically sourced products. Fresh & Wild strives to stock food without artificial colorings, hydrogenated fat, flavorings, sweeteners or preservatives.

The expansion of Whole Foods Market in the UK is closely monitored by the UK's major supermarket chains. Whole Foods have acquired an ex-department store space in London's High Street Kensington that is scheduled to open in mid-2007. When it opens Whole Foods will have the largest food retail space in central London at 80,000 square feet.

The major UK supermarket chains have already taken competitive moves to combat Whole Foods Market's entry to the UK. Tesco has trademarked the name Whole Foods in the UK, this means that Whole Foods cannot use it on their products. Also, all of the major chains are responding to the UK trend to premium, healthy, ethical products so that it remains to be seen whether Whole Foods can provide enough of a pull to consumers and a point of difference in the market.

### **Post Contact and Further Information**

If you have any questions or comments regarding this report, require a listing of UK importers, or need any other assistance exporting to the United Kingdom, please contact the USDA office in London at the following address:

United States Department of Agriculture  
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24 Grosvenor Square  
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E-Mail: [aglondon@usda.gov](mailto:aglondon@usda.gov)  
Website: [www.fas.usda.gov](http://www.fas.usda.gov)

Further information on the UK retail grocery sector is available from:

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2nd Floor, 21 Dartmouth Street  
London, SW1H 9BP  
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Website: [www.brc.org.uk](http://www.brc.org.uk)

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